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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

RECD S.E.C.
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(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended January 31, 1992.

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission file number 33-38051

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SF SERVICES, INC.
(Exact name of registrant as specified in its charter)

ARKANSAS
(State or other jurisdiction of incorporation or organization)

71-0220282
(IRS Employer Identification Number)

824 NORTH PALM, NORTH LITTLE ROCK, ARKANSAS 72119
(Address of principal executive offices) (Zip Code)

(501) 945-2371
(Registrant's telephone number, including area code)

Indicate by checkmark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

Indicate the number of shares outsanding of each of issuer's class of common stock as of March 13, 1992:

Common Stock 134

BEST COPY AVAILABLE

No, Exhibit Index Appears in this filing.

SF SERVICES, INC.
AND SUBSIDIARIES

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Part I. Financial Information
Item 1. Financial Statements

SF SERVICES, INC.
AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

	JANUARY 31, 1992 Unaudited	OCTOBER 31, 1991
CURRENT ASSETS		
Cash	$ 2,508,280	$ 2,014,894
Accounts and notes receivable, net	27,607,112	30,923,321
Inventories	46,463,748	38,952,934
Prepaid expenses	691,911	802,179
Total Current Assets	77,271,051	72,693,328
INVESTMENTS AND LONG-TERM RECEIVABLES		
Investments in other cooperatives	36,659,939	36,616,049
Other	2,442,181	2,444,170
Total investments and long-term receivables	39,102,120	39,060,219
PROPERTY, PLANT AND EQUIPMENT, At Cost	38,637,178	38,490,028
Less accumulated depreciation	12,867,678	12,381,796
Net property, plant and equipment	25,769,500	26,108,232
OTHER ASSETS	375,430	382,061
TOTAL ASSETS	$142,518,101	$138,243,840

LIABILITIES AND MEMBERS' EQUITY

CURRENT LIABILITIES		
Notes payable	$ 25,931,373	$ 29,109,473
Current maturities of long-term debt	2,095,604	291,804
Accounts payable	26,601,362	18,609,826
Patrons' deposits	8,109,052	5,755,313
Patronage dividend payable	2,634,136	2,634,136
Accrued expenses and other current liabilities	2,433,158	3,411,743
Total current Liabilities	67,804,685	59,812,295
LONG-TERM DEBT, LESS CURRENT MATURITIES	30,393,918	32,198,718
OTHER LIABILITIES	1,676,924	1,856,690
MEMBERS' EQUITY	42,642,574	44,376,137
TOTAL LIABILITIES AND MEMBERS EQUITY	$142,518,101	$138,243,840

See notes to Condensed Consolidated Financial Statements

SF SERVICES, INC.
AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended January 31,	
	1992	1991
NET SALES	$ 52,625,669	$39,270,837
COST OF GOODS SOLD	48,638,279	36,562,864
GROSS PROFIT	3,987,390	2,707,973
OPERATING EXPENSES	4,960,693	2,505,263
INCOME FROM OPERATIONS (LOSS)	(973,303)	202,710
OTHER INCOME (EXPENSES)		
Interest, net	(919,680)	(795,660)
Miscellaneous	163,420	107,039
	(756,260)	(688,621)
NET LOSS	$(1,729,563)	$ (485,911)

See Notes to Condensed Consolidated Financial Statements

SF SERVICES, INC.
AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three Months Ended January, 31	
	1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	$(1,729,563)	$ (485,911)
Items not requiring (Providing) cash		
Depreciation and amortization	485,882	206,414
Non-cash portion of patronage dividends received from cooperatives	(43,890)	(143,562)
Gain on sale of fixed assets	(71,674)	
Changes in operating assets and liabilities, net of effects from acquisition of CCFA assets		
Accounts and notes receivable	3,316,209	(1,955,960)
Inventories	(7,510,814)	(4,732,311)
Prepaid expenses and other	118,888	47,536
Accounts payable	7,991,536	3,473,539
Accrued expenses and other liabilities	(1,158,351)	(289,308)
Net cash (used in) provided by operating activities	1,398,223	(3,879,563)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(147,150)	(427,925)
Proceeds from sale of fixed assets	71,674	
Proceeds from long term receivable		410,800
Redemption of stock in other cooperatives		12,714
Acquisition of CCFA assets		(2,106,228)
Change in other assets and investments		(259,659)
Net cash used in investing activities	(75,476)	(2,370,298)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	9,925,000	6,250,000
Repayments on borrowings	(13,104,100)	(410,800)
Redemption of common stock	(4,000)	
Net change in deposits	2,353,739	1,723,692
Purchase of SF Services equities from CCFA		(1,295,750)
Net cash (used in) provided by financing activities	(829,361)	6,267,142
NET INCREASE IN CASH	493,386	17,281
CASH, BEGINNING OF PERIOD	2,014,894	292,482
CASH, END OF PERIOD	$ 2,508,280	$ 309,763

See Notes to Condensed Consolidated Financial Statements

SF SERVICES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY
THREE MONTHS ENDED JANUARY 31, 1992
(UNAUDITED)

	Common Stock	Preferred Stock Class "A"	Class "B"	Class "C"	Class "D"	Capital Cert.	Retained Earnings (Deficit)	Allocated Equities	Total
Balance October 31, 1991	$ 138 000	$2,185,300	$ 738,225	$1,780,861	$1,786,800	$ 157,399	$ 960,328	$36,629,224	$44,376
Retirement of Stock	(4,000)								(4
Net Loss							(1,729,563)		(1,729
Balance, January 31, 1992	$ 134,000	$2,185,300	$ 738,225	$ 1,780,861	$1,786,800	$ 157,399	($ 769,235)	$36,629,224	$42,642

See Notes to Condensed Consolidated Financial Statements

SF SERVICES, INC.
AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1: FINANCIAL STATEMENTS

The condensed consolidated balance sheet as of January 31, 1992, the condensed consolidated statements of operations and statements of cash flows for the three month periods ended January 31, 1992 and 1991, and the condensed consolidated statement of changes in members' equity for the three months ended January 31, 1992, have been prepared by the Company, without audit. In the opinion of management, all adjustments (consisting only of normal recurring items) necessary to present fairly the financial position, results of operations and cash flows at January 31, 1992 and for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted. It is suggested that these consolidated financial statements be read in conjunction with the consolidated financial statements and notes thereto included in the Company's October 31, 1991 audited financial statements. The results of operations for the periods ended January 31, 1992 and 1991, are not necessarily indicative of the operating results for the full year.

NOTE 2: CONTINGENCIES

The cooperative guaranteed loans of members to CoBank totalling $350,000 at January 31, 1992.

Item 2. Management's Discussion and Analysis of
Financial Condition and Results of Operations

Results of Operations

The primary products sold by SF Services, Inc. include farm supply products, agricultural seeds, animal and fish feeds, agricultural fertilizers, agricultural chemicals, and petroleum products purchased primarily by agriculture producers. Weather, federal farm programs, and commodity prices impact the unit demand for the products sold by SF services, Inc. Primarily the seed, fertilizer, chemical, and animal feed divisions of SF Services, Inc. may be impacted seasonally by changes in ingredient prices which create changes in the dollar volume of sales. SF Services, Inc.'s business cycle is highly seasonal and can be advanced or delayed by wet, dry, hot, or cold weather conditions. Results of operations for the three months ended January 31, 1992 and January 31, 1991 reflect the seasonality of SF Services, Inc.'s business. Results for the period are not indicative of results expected for a full fiscal year.

SF Services, Inc. at the end of the first quarter of 1991 was in the process of finalizing the Asset and Equity Exchange agreement with MFC Services of Madison, Mississippi. All regulatory approvals were obtained in February, 1991 and the transaction was consumated on February 24, 1991. The transaction has resulted in significant increases in sales volume for SF Services, Inc. for the first quarter of 1992 as compared to the first quarter of 1991.

Comparative Analysis of the Quarters Ended January 31, 1992 and January 31, 1991.

Net sales increased 34% for the quarter ended January 31, 1992 over the comparable quarter of the prior year. The completion of the MFC acquisition accounted for 100% of the increase. The 34% increase in sales is accounted for by product classification as per the following information. Increased agricultural chemicals sales accounted for approximately 26% of the total increase in sales. Sales increases attributed to previous MFC customers accounted for approximately 97% of the increase in chemical sales. The remaining 3% increase in chemical sales resulted from increased unit sales price. Increased fertilizer sales accounted for approximately 2.6% of the increase in sales. Unit sales increased by approximately 29%. The MFC acquisition accounted for 100% of the increase in fertilizer sales. The increase in unit sales of fertilizer for the first quarter of 1992 as compared to the first quarter of 1991 was offset in total sales by a decrease in per unit prices. Unit prices in the first quarter of 1992 were approximately 20% lower than unit prices in the first quarter of 1991. During 1991 there were increases in market prices due to concern of possible supply interruption as a result of the war with Iraq. After the successful completion of the war, unit prices decreased and this decrease is reflected in the first quarter of 1992. Increased seed sales accounted for 9% of the total increase in sales. The MFC acquisition accounted for 60% of the increase in seed sales. Other increases in sales of corn and cotton seed accounted for 40% of the increase. Unit prices in the first quarter of 1992 remained constant as compared to the first quarter of 1991. Increased tires, batteries, and auto accessories sales accounted for approximately 2% of the total increase in sales. All of the increase in tires, batteries, and auto accessories sales can be identified with the increase in sales resulting from the MFC acquisition. Petroleum fuel sales decreased by $2.6 million for the first quarter of 1992 as compared to the first quarter of 1991. This decrease is netted in the 34% total increase in sales for SF Services, Inc. Decreases in unit prices due to stabilization of market prices after the war with Iraq resulted in a $3.0 million decrease in sales. However, this decrease was offset by new business due to sales in the former MFC trade territory. Increased farm supply sales including steel, twine, and rope products, accounted for 2% of the total increase in sales. The MFC acquisition accounted for 100% of the increase in farm supply sales. Increased feed sales accounted for 61% of the total increase in sales. The MFC acquisition accounted for 100% of the increase in feed sales. Increase animal health sales accounted for 8% of the total increase in sales. The MFC acquisition accounted for 100% of the increase in animal health sales.

Gross profit increased by 47% for the quarter ended January 31, 1992, over the comparable quarter of the prior year. The MFC acquisition accounted for 100% of the increase. The 1992 gross profit was 7.6% of net sales for the quarter ended January 31, 1992 compared to a gross profit of 6.9% of net sales for the quarter ended January 31, 1991. Fertilizer gross profit accounted for 9.5% of the total gross margin for the quarter ended January 31, 1992. The gross margin for fertilizer for the quarter ended January 31, 1992 was 4.5% of net sales compared to a gross profit of 4.4% of net sales for the quarter ended January 31, 1991. On a yearly basis approximately 90% of fertilizer gross profit consists of the patronage dividend earned from Mississippi Chemical Corporation purchases. No patronage dividends from Mississippi Chemical Corporation were recorded in the quarter ended January 31, 1992, or 1991 since patronage dividends are recorded when declared by the paying cooperative. When patronage dividends are received from Mississippi Chemical Corporation, cost of goods sold will be reduced. Feed gross profit accounted for 1% of the total gross profit for the quarter ended January 31, 1992. The gross profit for feed for the quarter ended January 31, 1992 was 1.9% of sales compared to 3.3% of sales for the quarter ended January 31, 1991. This decrease in gross margin percent is due to slightly higher manufacturing cost. Animal health gross profit accounted for .6% of total gross profit for the quarter ended January 31, 1992. The gross profit for animal health for the quarter ended January 31, 1992 was 6.8% of sales compared to

11.7% of sales for the quarter ended January 31, 1991. This decrease in gross margin percent was the result of increased costs during the quarter. Farm Supply gross profit accounted for 24% of the total gross profit for the quarter ended January 31, 1992. The gross profit for Farm Supply for the quarter ended January 31, 1992 was 14.8% of sales compared to 7.9% of sales for the quarter ended January 31, 1991. Farm Supplies' gross profit accounted for 27% of the total gross profit for the quarter ended January 31, 1992. The gross profit for chemicals for the quarter ended January 31, 1992 was 16.2% of sales compared to 13.1% of sales for the quarter ended January 31, 1991. This increase in gross profit is due primarily to improved dealer commission which reduces cost of sales. Seed gross profit accounted for .7% of the total gross profit for the quarter ended January 31, 1992. The gross profit for seed for the quarter ended January 31, 1992 was 10.4% of sales compared to 8.1% of sales for the quarter ended January 31, 1991. This increase in gross profit percent is due to seasonal changes in product mix. Tires, batteries, and accessories (TBA) gross profit accounted for 14.2% of the total gross profit for the quarter ended January 31, 1992. The gross profit for TBA for the quarter ended January 31, 1992 was 17.7% of sales compared to 19.6% of sales for the quarter ended January 31, 1991. This decrease in gross margin percent is due to a minor change in unit prices during the 1992 quarter. Petroleum products gross profit accounted for .5% of the total gross profit for the quarter ended January 31, 1992. The gross profit for petroleum for the quarter ended January 31, 1992 was 3.8% of sales compared to 1.8% of sales for the quarter ended January 31, 1991. This increase in gross profit percent is due to the reduced per unit market price of unit sales in 1992 as compared to 1991 resulting from the successful settlement of the war with Iraq after the first quarter of 1991.

Operating expenses were 98% higher for the quarter ended January 31, 1992 over the comparable quarter of the prior year. Of this increase, 100% can be identified with higher operating expenses incurred to maintain the higher sales volume created by the MFC acquisition. Also, during the transition period, which includes the period required to combine the operating and administrative divisions of MFC with the operating and administrative divisions of SF Services, operating expenses are higher than they will be once the transition period ends. This transition period is expected to continue during the remainder of the 1992 fiscal year and end in the 1993 fiscal year.

Net interest expense increased by 15.5% due to the impact of the acquisition of MFC Services. Increases in sales, inventories, and accounts receivable as a result of the MFC acquisition resulted in the need for higher seasonal borrowing on SF Services' loan with the National Bank for Cooperatives. The cost of the increased seasonal borrowing on SF services' loan with the National Bank for Cooperatives was less for the quarter ended January 31, 1992 due to a reduction of approximately 150 basis points in the interest rate charged on the loan balance for the quarter ended January 31, 1992 as compared to the rate charged in the first quarter of 1991.

Financial Condition

For the quarter ended January 31, 1992, operating activities provided SF Services with $1,398,223 of cash compared to a use of cash in operating activities of $3,879,563 for the comparable period in 1991. The cash provided by operating activities in 1992 was primarily the result of a decrease from October 31, 1991 of $3,316,209 in accounts receivable and an increase in accounts payable of $8,983,562.. Reducing the above cash provided by accounts receivable and accounts payable was a $7,510,814 increase in inventories required to service the higher sales volume of SF Services and a decrease of $2,150,377 in accrued expenses and other liabilities. The reduction in accounts receivable and increase in accounts payable for the first quarter of 1992 along with the change in inventories and accrued expenses reflect the seasonal changes of SF Services financial needs in preparation for the spring planting season.

Cash used in investing activities of $75,476 included the $147,150 purchase of miscellaneous replacement parts and equipment for SF Services, Inc.'s facilities and cash provided from the sale of miscellaneous fixed assets totalling $71,674.

Cash to fund operations and investing activities was provided primarily by borrowings from the National Bank for Cooperatives and short-term borrowings from members.

At January 31, 1992, SF Services, Inc. had working capital of $9.4 million compared to $12.8 million at October 31, 1991. The ratio of current assets to current liabilities was 1.14 to 1 at January 31, 1992, compared to 1.22 to 1 at October 31, 1991. Short-term borrowings at January 31, 1992 were $28.0 million compared to $29.4 million at October 31, 1991. The decrease in short-term borrowings was the result of the increased use of seasonal trade accounts payable to finance inventory increases prior to the spring planting season and the seasonal decreases in accounts receivable due from members and other trade customers. Members' equity decreased from $44.4 million at October 31, 1991, to $42.6 million at January 31, 1992. The net decrease in Members' equity was caused by the combination of the net loss of $1,729,563 for the quarter ended January 31, 1992, and the $4,000 redemption of membership stock for members no longer qualifying for membership. Long-term debt to total liabilities and Members' equity decreased to 21.3% at January 31, 1992 compared to 23.3% at October 31, 1991 as a result of the transfer to current maturities the $1,750,000 payment due November 1, 1992 on the National Bank for Cooperatives

term loan payable.

Historically, most of SF services, Inc.'s financing has been with the National Bank for Cooperatives (CoBank). In connection with the MFC Asset and Equity Exchange Agreement, CoBank has provided a $30 million term loan and $40 million of seasonal credit to SF Services effective March, 1991. The seasonal credit line expires April 1, 1992. The seasonal credit line has historically been renewed for twelve months each year to meet SF Services, Inc.'s seasonal needs. Management anticipates this seasonal financing from CoBank will be renewed on April 1, 1992.

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits
None

(b) Reports on Form 8-K
None

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SF SERVICES, INC.

Date: March 13, 1992

Robert P. Dixon
President

Date: March 13, 1992

John A. Gaston
Senior Vice President
(Principal Financial Officer)